

Inside the Motley Fool Momentum Index

Momentum investing with a Foolish twist

The Motley Fool Momentum Index holds up to 100 United States companies drawn from the research of The Motley Fool, LLC and ranked on a composite measure of momentum. It lets winners run, but with a modernized approach that targets the structural drivers of momentum and filters out short-lived noise. This paper covers where the momentum premium comes from, how the score is built, and how the index is constructed and has behaved.

Index Foolishly.

Let your winners run. The index expresses that view as a systematic momentum strategy that keeps bottom-up stock picking, held to a published methodology.

WHAT IS MOMENTUM INVESTING?

Momentum is the tendency of **winning assets to keep winning**, and losing assets to keep losing, over short to intermediate horizons: price trends, once established, tend to persist. It is one of the most robust patterns in financial markets, documented over centuries and across asset classes and geographies (Asness, Moskowitz and Pedersen, 2013).

Momentum tends to outperform when...	Trends are persistent, leadership is concentrated, volatility is moderate and return dispersion is high.
Momentum tends to underperform when...	Markets reverse sharply, factors rotate, or regimes shift suddenly, as with macro shocks or rapid rate changes.
Momentum tends to have a volatility profile that is...	Generally higher than the market, with drawdowns around trend breaks that stabilize during sustained trends.

WHERE DOES MOMENTUM COME FROM?

Momentum arises from structural and behavioral market inefficiencies:

- **Investor underreaction** to new information delays price adjustment (Jegadeesh and Titman, 1993).
- **Herding and career risk** lead managers to chase recent winners (Asness, Frazzini and Pedersen, 2014).
- **Slow-moving capital** and liquidity-driven flows reinforce existing trends (Moskowitz, Ooi and Pedersen, 2012).
- **Factor reinforcement** carries momentum across markets and factors (Gupta and Kelly, 2019).

WHAT MAKES MOTLEY FOOL MOMENTUM DIFFERENT?

The index blends three measures designed to harness and sustain momentum within the research universe of The Motley Fool, LLC:

- **Relative Strength**, a diversified backbone comparable to the momentum factors used across the industry.
- **Factor Momentum**, for stronger persistence and fewer liquidity-driven, company-specific bets.
- **Adjusted Price-to-Low**, to find momentum with measurable upside in the shape of longer-term price moves.

In a nutshell

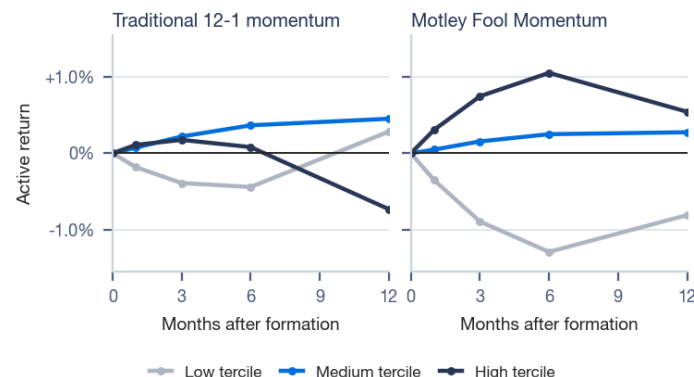
Motley Fool Momentum does not just follow trends: it models the structural drivers of momentum and filters out noise. Twelve months after formation its top tercile stood at **+0.5%** against the stocks sorted and its bottom tercile at **-0.8%**, a spread of 1.4 points. Traditional 12-1 momentum had reversed by then, its top tercile finishing 1.0 points behind its bottom.

WHAT DO MOMENTUM INVESTORS OFTEN GET WRONG?

Treated as a blunt tool, momentum is prone to:

- **Chasing price alone**, ignoring the liquidity effects and common factors behind short-lived signals.
- **Crowding** into the same stocks through the same price screens.
- **Rebalancing poorly**, since traditional signals need high turnover and fast rebalancing.
- **Missing the risk context**: momentum without guardrails amplifies drawdowns.

TRADITIONAL AGAINST MOTLEY FOOL MOMENTUM



United States all-cap stocks (about 2,788 a month) sorted into terciles at every month end from 06/30/1995 to 09/30/2025 (364 formation dates), and the cumulative return of each tercile over the following 1 to 12 months less the average of all the stocks sorted. Traditional 12-1 momentum is the cumulative return from twelve months to one month before formation. Motley Fool Momentum is an equal weighted composite of the three metrics the index scores on. Both are ranked on the same stocks on the same dates. Hypothetical and gross of all costs, for illustration only.

MEET THE MOTLEY FOOL MOMENTUM INDEX



The Motley Fool Momentum Index (total return) against the S&P 500 TR and MSCI USA Momentum TR indexes, each rebased to 100 at the start of the published series in January 2015. Everything left of the marker is back-tested: the index began live calculation on 31 October 2025, and the 11 years of published history before that date apply the index rules retrospectively. Back-tested performance is hypothetical. Past performance does not predict future returns.

FROM RESEARCH UNIVERSE TO INDEX

Each quarter the index is rebuilt from the research of The Motley Fool, LLC in six published steps. None of them involves a discretionary judgment about a company on the day.

STEP 1

Start with the best ideas

The Motley Fool Index universe: open recommendations in flagship publications of The Motley Fool, LLC and the 150 companies with the highest analyst conviction, after liquidity screens.

STEP 2

Target winners

Only companies with positive relative strength go forward, so every candidate is a momentum winner by the traditional definition.

STEP 3

Build the score

The three metrics are normalized across the screened universe and averaged into a single Momentum Composite Score.

STEP 4

Pick the top 100

Companies are ranked on the composite and the top 100 are selected, with a 30% continuity buffer. Where fewer than 100 pass the screen, all of them are held.

STEP 5

Weight by size and score

Each company is weighted by market capitalization, scaled up for a positive composite score and down for a negative one. No company may exceed 4.8% of the index at a reconstitution.

STEP 6

Rebalance quarterly

The index is reconstituted at each quarter end. Concentration limits are tested between reconstitutions and can trigger an interim rebalance.

WHY THE BUFFER EXISTS

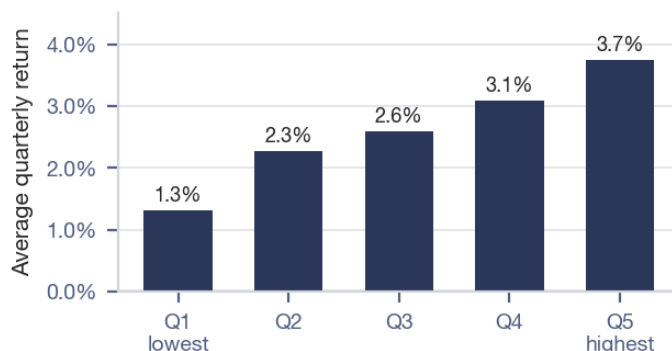
Index membership buffer ranked by Momentum Composite Score



A company near the cut can move a few places either side of it from one quarter to the next without anything about it having changed. The buffer stops that noise from turning into trades. At each reconstitution the 70 highest ranked companies enter on rank alone, current members ranked down to 130 keep their places, and the remaining places go to the highest ranked newcomers. The buffer has applied since December 2021.

Quarterly one-way turnover has averaged 36% without the buffer and 36% with it. Figures before October 2025 are back-tested.

POWERED BY THE MOMENTUM COMPOSITE SCORE



United States all-cap stocks (about 2,406 a quarter) sorted into quintiles on the production Momentum Composite Score at each of 47 quarterly Weighting Dates from Dec 2014 to Jun 2026, equal weighted and held three months. Hypothetical and gross of all costs.

Across the all-cap universe the highest quintile of the score averaged 3.7% a quarter against 1.3% for the lowest. The appendix repeats the test for each sub-score and in narrower universes, including the one the index actually selects from.

THE MOTLEY FOOL INDEX UNIVERSE

The power of dozens of analysts in every constituent

Before any score is applied, every company in The Motley Fool Momentum Index has been chosen by the research of The Motley Fool, LLC: 25 years of published recommendations and the live conviction of its analysts, a research universe only Fool Indices can draw on.

Newsletter recommendations

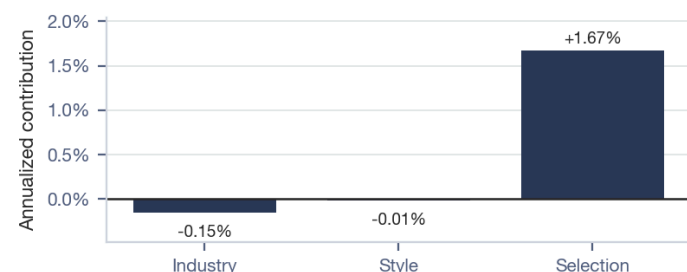
Open buy recommendations in **Stock Advisor** and **Rule Breakers**, flagship publications of The Motley Fool, LLC, dated and published to subscribers in real time for years before any index was calculated from them. The list is patient, so the universe changes slowly underneath the index.

Analyst conviction

The 150 companies with the highest conviction scores from analysts at The Motley Fool, LLC. Each analyst's view is weighted by their own five-year stock-picking record, measured on company-specific returns only, so a score reflects who has been right about individual businesses rather than who happened to cover a rising sector.

OPEN RECOMMENDATIONS	MEDIAN AGE	AVERAGE HOLDING PERIOD	SCORED ANALYSTS
296 across 257 distinct companies	6.5 yrs 31% open more than ten years	~10 yrs implied by turnover since 2006	90 1,687 ratings on 559 companies, Sep 2026

RECOMMENDATIONS ADD COMPANY SELECTION



Annualized contribution to the equal weighted basket of open recommendations by source, Dec 2006 to Sep 2026.

Held at equal weight and rebalanced monthly, the open recommendations returned **13.8%** a year against 12.4% for the S&P 500 Total Return index over 238 months, about 224 companies at a time. Through the factor model, industry tilts contributed -0.15% and style tilts -0.01% a year. Company selection contributed **+1.67%**, with an information ratio of 0.58.

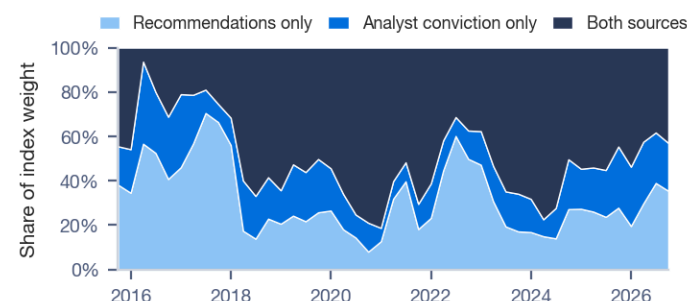
CONVICTION PAYS AT THE TOP



Annualized return by analyst conviction quintile with its sources, May 2018 to Jun 2026 month-end formation dates, about 112 companies each, equal weighted, three-month holding period.

The highest conviction quintile returned **16.66%** a year against 11.57% for the lowest. Market exposure is common to all five, so the gap is not leverage: company selection was worth +1.82% at the top and -0.29% at the bottom. The top-150 cut is built to take that top band.

WHERE MOTLEY FOOL MOMENTUM'S CONSTITUENTS COME FROM



Share of index weight by the universe source that made each constituent eligible, at every reconstitution since September 2015, when the analyst conviction source joined the universe. Figures before October 2025 are back-tested.

UNIVERSE SOURCE	CONSTITUENTS	WEIGHT	WEIGHT CURRENT
Both sources	37%	50%	43%
Analyst conviction only	21%	18%	22%
Recommendations only	42%	32%	35%

Averages across 45 reconstitutions since September 2015.

Companies carried by both sources have cleared two independent bars before the score is applied. They have averaged 37% of the index's constituents and 50% of its weight. The analyst conviction source alone has supplied another 18% of the weight, companies the recommendation list did not carry at the time.

The universe and the score do different jobs

The universe decides which companies are eligible, and the Momentum Composite Score decides which of them the index holds and at what weight. The universe's contribution has come from company selection rather than industry or style tilts, so it does not duplicate the momentum tilt the score adds: it is what separates Motley Fool Momentum from a momentum strategy run across the whole market.

Baskets are hypothetical, gross of costs and not published indices. Inclusion in an index is not a recommendation to buy, sell or hold any security. Past performance does not predict future returns.

PERFORMANCE

Figures cover the full published history of The Motley Fool Momentum Index, from its inception in January 2015 to 30 September 2026. The index began live calculation on 31 October 2025; its published levels before that date are back-tested, calculated by applying the index rules retrospectively.

SUMMARY STATISTICS	ANNUALIZED RETURN	ANNUALIZED VOLATILITY	SHARPE RATIO	MAX DRAWDOWN	UP CAPTURE	DOWN CAPTURE
Motley Fool Momentum TR	17.3%	23.6%	0.71	-35.9%	154	101
S&P 500 TR	13.8%	17.6%	0.70	-33.8%	-	-
MSCI USA Momentum TR	15.2%	21.0%	0.68	-33.8%	92	94

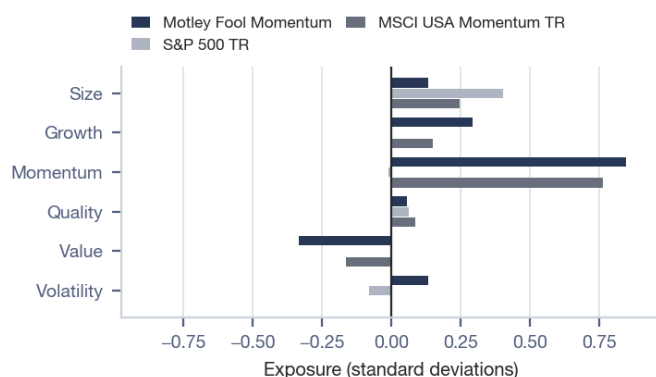
Total return, from the published index levels, January 2015 to 30 September 2026. Volatility and drawdown are measured on daily returns, and the Sharpe ratio is annualized excess return over the daily risk free rate divided by annualized volatility. Up and down capture are against the S&P 500 TR, compounding each series over the 96 months it rose and the 45 it fell. Performance before 31 October 2025 is back-tested and hypothetical. Past performance does not predict future returns.

TRAILING PERFORMANCE	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (2015)
Motley Fool Momentum TR	17.1%	15.8%	27.5%	11.3%	18.8%	17.3%
S&P 500 TR	12.7%	15.8%	22.9%	13.8%	15.3%	13.8%
MSCI USA Momentum TR	28.2%	26.4%	31.1%	13.4%	16.3%	15.2%

Periods of a year or more are annualized; the year to date is cumulative. Data through 30 September 2026. Performance before 31 October 2025 is back-tested and hypothetical.

Over 11.7 years the index returned **17.3%** a year, against 13.8% for the S&P 500 TR and 15.2% for the MSCI USA Momentum TR, with annualized volatility of 23.6% against 17.6% and 21.0%. It captured 154% of the S&P 500 TR's gains in rising months and 101% of its losses in falling ones.

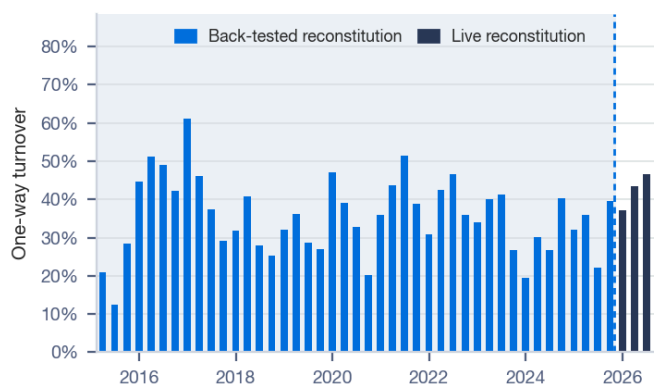
STYLE TILTS



Exposure from the in-house factor model. Bars average all 48 reconstitutions from Dec 2014 to Sep 2026, back-tested before October 2025. Benchmarks are read from the holdings of IVV and MTUM.

Across the history, the index's momentum exposure averaged +0.85, against -0.01 and +0.76 for the S&P 500 TR and MSCI USA Momentum TR.

TURNOVER



One-way turnover at each reconstitution from Mar 2015 to Sep 2026: half the summed change between the new target weights and the old basket as it had drifted by the trade. The shaded span is back-tested; from October 2025 the baskets are those the calculating agent published.

Quarterly one-way turnover has averaged 36% across the history, ranging from 12% to 61% (in December 2016). The index has held between 71 and 100 companies across the history.

WHAT THE INDEX IS DESIGNED TO REPRESENT

The index is built to represent a particular view of markets:

- that markets are not always efficient, and that persistent investor behavior creates persistent opportunity;
- that a disciplined, rules-based approach grounded in evidence can capture it, accepting higher turnover and periodic drawdowns;
- that momentum is best measured with models that look past price alone to the drivers behind it.

Where a company's shares are trending for structural rather than short-lived reasons, the index is designed to hold it, weighted by size and by the strength of its momentum score.

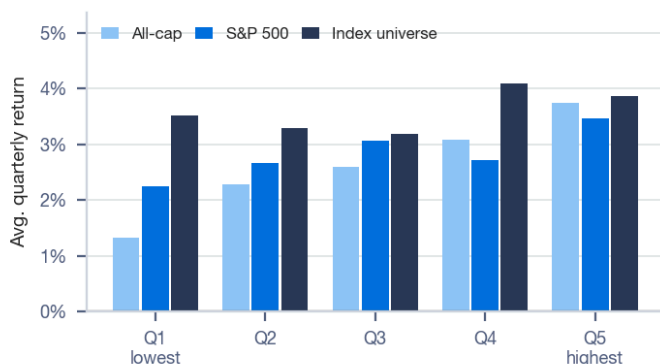
HOW EACH SCORE SORTS RETURNS

Each score below is the production score the index uses, normalized within each universe at every quarterly Weighting Date from Dec 2014 to Jun 2026. The left chart sorts the universe into quintiles and shows the average equal weighted return over the following three months, the index's own holding period. The right chart holds the top third and shorts the bottom third each quarter. All-cap is the factor model's United States estimation universe (about 2,406 companies); S&P 500 is the constituents of the S&P 500 (about 497 companies); Index universe is the research universe the index selects from (about 290 companies).

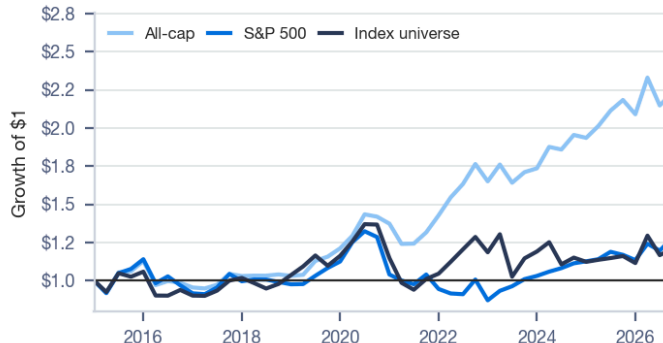
Momentum Composite Score

The Momentum Composite Score drives both membership and weight. It is an equal weighted blend of three sub-scores: **Relative Strength**, **Factor Momentum** and **Adjusted Price-to-Low**. Each is normalized within its universe before the three are averaged.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



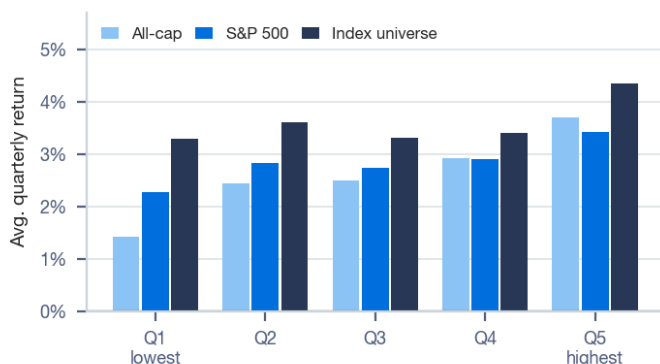
TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE



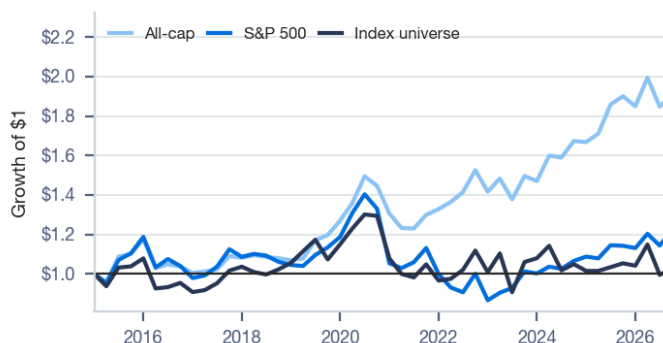
Relative Strength

Relative Strength anchors the strategy to established definitions of momentum. It is the cumulative excess return over the past two years, exponentially weighted with a half-life of one quarter and excluding the most recent month.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE



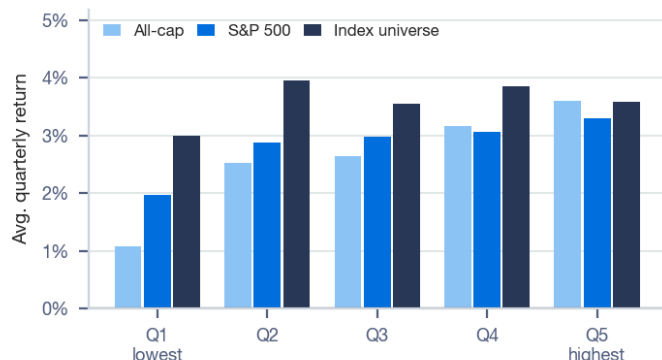
Hypothetical quintile and tercile portfolios, equal weighted, gross of all costs, taxes and fees, from Dec 2014 to Jun 2026, United States listed stocks only. They are analytical constructions used to show how each score behaves, not indices, and cannot be invested in. Returns outside -100% to +1,000% in a quarter are treated as pricing artifacts and excluded.

Factor Momentum

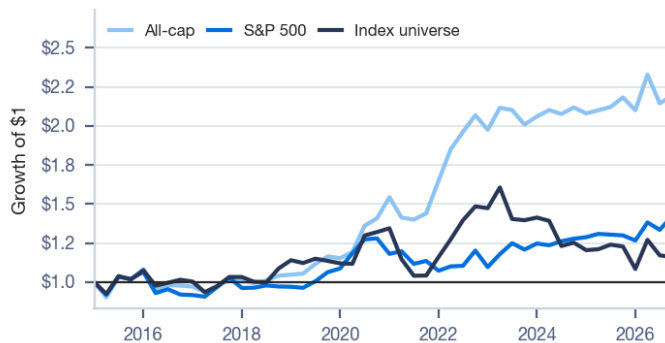
Factor Momentum lengthens the information horizon of traditional momentum by focusing on systematic effects rather than liquidity-driven, company-specific ones (Gupta and Kelly, 2019), and seeks stocks at peak risk-adjusted factor momentum. It is built from the daily return attribution of the in-house factor model:

- **Attribution.** Daily stock returns over the past year are split into factor and company-specific components.
- **Factor trajectories.** Factor returns are cumulated over lengthening monthly windows up to the current date.
- **Volatility scaling.** Each stock's current cumulative return is netted against its average over all lengths and scaled by one-year factor volatility.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE

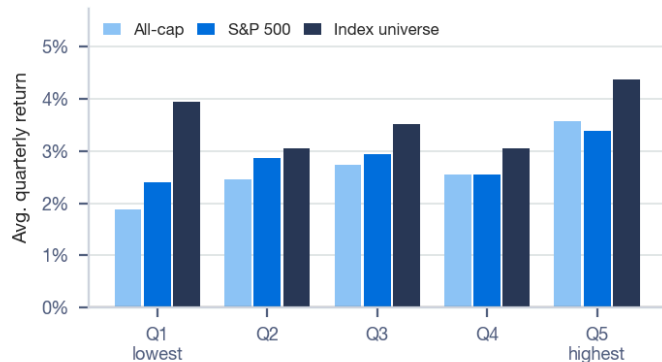


Adjusted Price-to-Low

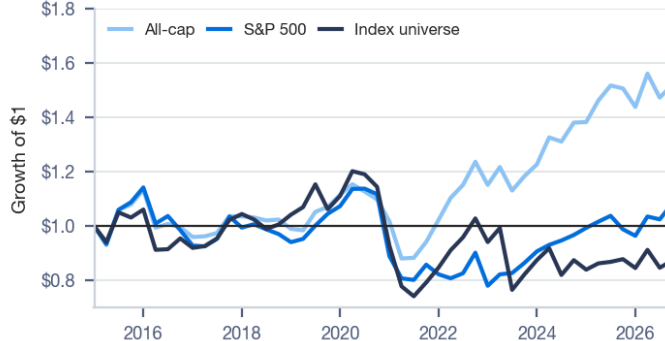
Most momentum measures compare performance over fixed trailing periods. **Price-to-low** measures performance against a target, the low point within the period, and high price-to-low stocks can hold up better than traditional winners in sharp downturns and turnarounds. The adjusted version stabilizes the signal (Cai, Li and Keasey, 2024):

- **Price-to-low**, relative to the trailing 52 weeks.
- **Goodness of fit**: the R-squared of daily price regressed on time over 52 weeks, signed by the cumulative return.
- **Combined** as price-to-low multiplied by goodness of fit.

QUARTERLY QUINTILE RETURNS, BY UNIVERSE



TOP-MINUS-BOTTOM TERCILE, GROWTH OF \$1, BY UNIVERSE



Hypothetical quintile and tercile portfolios, equal weighted, gross of all costs, taxes and fees, from Dec 2014 to Jun 2026, United States listed stocks only. They are analytical constructions used to show how each score behaves, not indices, and cannot be invested in. Returns outside -100% to +1,000% in a quarter are treated as pricing artifacts and excluded.

METHODOLOGY NOTES

Measurement dates

Every figure in this paper is pinned to Q3 2026 (data through 30 September 2026). The paper is refreshed each quarter on the same basis.

Index history

The Motley Fool Momentum Index began live calculation on 31 October 2025. Performance in this paper covers the index's full published level series from its inception in January 2015. Published levels before the live date are back-tested: they apply the index rules retrospectively and are hypothetical.

Holdings

From October 2025, constituents and weights are those published by the index's independent calculating agent. Before that date, the back-tested baskets are the index rules applied retrospectively by MFIA's production system. Rebuilt month by month from those baskets across 131 back-tested months, the index compounds to within 13 basis points a year of its published series, with a monthly correlation of 0.999, so the turnover and style figures describe the same portfolio the published history does.

Factor model

Style exposures come from an in-house fundamental factor model estimated on a broad United States investable universe. Each theme averages the style factors within it that point the same way.

Hypothetical portfolios

Decile, quintile and tercile portfolios are analytical constructions used to show how the scores behave. They are hypothetical, gross of all costs, taxes and fees, cannot be invested in, and are not published indices.

Hypothetical results have inherent limitations and do not reflect trading, liquidity constraints or the timing of actual capital flows.

Benchmarks

The S&P 500 TR and MSCI USA Momentum TR are shown for reference. Their levels are the published total return series, and their style exposures are read from the holdings of an exchange traded fund tracking each.

IMPORTANT INFORMATION

Motley Fool Investment Analytics (MFIA) constructs, publishes, and licenses indices based on rule-based, quantitative methodologies. MFIA is not an SEC-registered investment adviser and does not provide investment advice, offer securities, or make representations regarding the advisability of investing in any instrument. Nothing in this document should be taken as constituting financial or investment advice. MFIA is not permitted to provide investment advice, and any decision to invest in a security should not be made in reliance on the information contained in this document. Inclusion of a security within a MFIA index is not a recommendation to buy, sell, or hold such security.

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The Motley Fool Momentum Index (the "Index") was established by Motley Fool Investment Analytics, LLC and is a proprietary, rules-based index designed to track the performance of up to 100 United States companies from the research universe of The Motley Fool, LLC, ranked by a composite momentum score.

Past performance is not a guide to, and does not predict, future returns. Index performance does not reflect any management fees, transaction costs, taxes or expenses that would be incurred by a portfolio seeking to track the index, and an investor cannot invest directly in an index. Index returns quoted in this document are total return, meaning dividends are treated as reinvested. The published index level series extends before the commencement of live calculation on 31 October 2025 on a back-tested basis, and performance for that period is included in this document. Back-tested performance is hypothetical: it is prepared with the benefit of hindsight by applying the index rules to historical data, does not reflect actual trading or the financial risk of actual investing, and is not indicative of any actual investment result.

Company fundamental, pricing and classification data is sourced from S&P Global Market Intelligence. Published index levels are produced by MFIA's independent third-party calculation agent. The S&P 500 Index is a product of S&P Dow Jones Indices LLC, and the MSCI USA Momentum Index is a product of MSCI Inc. Both are shown for reference only, and neither their inclusion nor any comparison in this document implies any sponsorship, endorsement or affiliation.

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Licensing and methodology enquiries

Full methodologies for The Motley Fool Momentum Index and every index in the index family of The Motley Fool, LLC are published in full, including membership criteria, weighting rules, reconstitution schedule and corporate action treatment.

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